

Message Text

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ACTION NEA-10

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TAGS: ETRD, IN, US
SUBJ: INDO-SOVIET TRADE PLAN FOR 1977

REF: NEW DELHI 18383

1. SOVIET DEPUTY MINISTER OF FOREIGN AFFAIRS I.T.
GRISHIN AND INDIAN FOREIGN TRADE SEKRETARY P.C.
ALEXANDER SIGNED THE INDO-SOVIET TRADE PLAN FOR 1977
IN NEW DELHI ON DECEMBER 28. ACCORDING TO PRESS
REPORTS APPARENTLY BASED ON A GOI RELEASE AND STATEMENTS
BY GRISHIN AND ALEXANDER, THE PLAN CALLS FOR A HEALTHY
9 PRCENT INCREASE IN TRADE TURNOVER (SUM OF TRADE BOTH
WAYS) NEXT YEAR. TARGET FIGURE IS \$1.02 BILLION (AT
RS 8IP EQUALS \$1.00).

2. OFFICIALS WERE CAREFUL TO MAKE CLEAR THAT TRADE
PLAN DOES NOT REPEAT NOT INCLUDE SOVIET OFFER OF CRUDE
OIL AND BALANCING INDIAN EXPORTS. THE DETAILS OF
INDIAN EXPORTS TO PAY FOR THE ONE MILLION TONS OF CRUDE
OIL ARE STILL TO BE WORKED OUT. OFFICIALS EXPECT THAT
AGREEMENT FOR THIS SUPPLEMENTARY PAKKAGE WILL BE SIGNED
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BY THE END OF FEBRUARY. ACCORDING TO PRESS RELEASE
ADDITION OF THIS TRADE WILL BOOST TOTAL 1977 TRADE
TO OVER \$1.14 BILLION. (COMMENT: INTERESTING TO NOTE
THAT GRISHIN IS QUOTED AS SAYING THAT TOTAL TRADE MAY
RISE TO EVEN HIGHER FIGURE OF \$1.19 BILLION, PERHAPS
IMPLYING THAT SOVIETS ARE PLACING A HIGHER VALUE ON

THEIR OIL THAN ARE INDIANS. IN CONTRAST TO PRESS ACCOUNTS REPORTED REFTEL, GOI DOES NOT PLACE ANY DIRECT VALUE ON OIL PACKAGE THIS TIME.)

3. ITEMS IDENTIFIED AS BEING PROVIDED BY SOVIET UNION IN INCREASED QUANTITIES IN 1977 ARE "PETROLEUM PRODUCTS, SULPHUR, VARIOUS NON-FERROUS METALS AND SELECTED ENGINEERING GOODS (I.E. MANUFACTURED GOODS MADE OF METAL)." INDIAN SIDE POINTED OUT THAT AGREEMENT CALLED FOR INDIAN EXPORTS IN NEW COMMODITIES SUCH AS "MACHINE TOOLS, FORKLIFT TRUCKS, FREIGHT CONTAINERS, ALUMINUM FOILS, MEDICAL INSTRUMENTS AND WOOD VENEERS." FOR THE FIRST TIME, SOVIETS HAVE AGREED TO PURCHASE EQUIPMENT PRODUCED BY THE HEAVY ENGINEERING CORPORATION (HEC) WORTH \$5.7 MILLION (ONE NEWSPAPER NOTED THAT HEC WAS A SOVIET AIDED PROJECT WHICH HAS CONSIDERABLE SURPLUS CAPACITY).

4. IN ADDITION TO NEW ELEMENTS IN INDIAN EXPORTS REFERRED TO ABOVE, SOVIET UNION HAS AGREED TO BUY VOLUME OF AUTOMOBILE STORAGE BATTERIES, HAND TOOLS, ALUMINUM POWER CABLES, ELEKTRONIC INSTRUMENTS, COMPUTER SOFTWARE, DRUGS AND MEDICINES, PAINTS, DETERGENTS, COSMETICS, TIRES, FINISHED LEATHER IN ADDITION TO LEATHER SHOES, READY-MADE GARMENTS, KNITWEAR, CARPETS AND JUTE GOODS.

5. COMMENT: TRADE PLAN AS SIGNED, EVEN EXCLUDING CRUDE OIL DEAL, PROJECTS A GROWTH IN INDO-SOVIET TRADE THAT HAD NOT BEEN FORESEEN EVEN SO RECENTLY AS LAST APRIL LIMITED OFFICIAL USE

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WHEN 5-YEAR TRADE AND PAYMENTS AGREEMENT WAS SIGNED. THIS MAY REFLECT SOVIET DECISION TO PROVIDE LARGER VOLUME OF RAW MATERIALS NEEDED BY INDIA. THIS HYPOTHESIS IS SUPPORTED BY CHARACTER OF LIST OF SOVIET EXPORT ITEMS IN PRESS ACCOUNT AND BY SIMULTANEOUS OFFER OF CRUDE OIL. IT CANNOT BE TAKEN AS DEFINITIVE HOWEVER, SINCE ANNUAL TRADE PLANS ARE NOT BINDING CONTRACTS AND MERELY REFLECT INTENTIONS OF THE TWO PARTNERS AT THE MINISTERIAL LEVEL. NINE PERCENT GROWTH FIGURE IS INCREASE IN PLAN TARGET FOR 1977 OVER SIMILAR PLAN TARGET FOR 1976. ACTUAL 1976 FIGURES WILL NOT BE AVAILABLE FOR SEVERAL MONTHS. THUS REALITY OF THE TRADING RELATIONSHIP HAS YET TO BE REVEALED, BUT WILLINGNESS OF BOTH GOVERNMENTS TO WORK TOWARDS A HEALTHY INCREASE IS EVIDENT. THE OPINION IN NEW DELHI DIPLOMATIC CIRCLES HOWEVER, IS THAT THE SOVIETS HAVE CONCLUDED THE RELATIONSHIP WITH INDIA IS WORTH A PRICE, AND HAVE DECIDED TO PAY.

IT APPEARS TO US THAT THE GOI IS BEGINNING TO REALIZE
SOME OF THE OBJECTIVES--RAISING INDO-SOVIET TRADE
FROM THE PLATEAU ON WHICH IT HAD BEEN STUCK FOR LACK
OF NEW PRODUCTS IN WHICH TRADE CAN BE CONDUCTED--
OUTLINED FOR US BY MEA JOINT SECRETARY PURUSHOTTAM
ON DECEMBER 20.
SCHNEIDER

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